(ii) The Benchmark PLR will be the ceiling rate for credit limit up to Rs. 2 lakh.

(iii) All other lending rates can be determined with reference to the Benchmark PLR arrived at as above by taking into account term premia and/or risk premia.

(b) and (c) The relevant extract of the Report on Currency and Finance for 2005-06, which is the latest available, is given at in the Statement (*See* below).

(d) In order to provide credit to the farmers at reasonable cost, the Government has decided that the farmers receive short-term credit at an interest rate of 7% per annum with an interest subvention of 2% for loan up to Rs. 3 lakh on the principal amount since Kharif season of 2006-07.

Under the existing guidelines of RBI, interest rate on loans upto Rs. 2. lakh should not exceed the BPLR of the banks concerned.

With effect from July 12, 2007, a package of measures has been announced to provide relief to exporters in nine specified categories and to all exporters from Small and Medium Enterprises Sectors from 01.04.2007 to 31.12.2007 in terms of interest rate subvention of 2% points on Rupee Export Credit. Accordingly, banks would charge interest rate not exceeding BPLR minus 4.5% on pre-shipment credit up to 180 days and post shipment credit up to 90 days on outstanding amount for the period April 1, 2007 to December, 31, 2007.

Statement

Extract taken from RBI Report of "Currency and Finance-2005-06".

9.18 Although banks have been given the freedom to determine their lending rates, the principles followed by banks in fixing their Benchmark Prime Lending Rate (BPLR) are viewed as opaque. A predominant and growing proportion - over eighty per cent — of the commercial banks' loan portfolio is at sub-BPLR rates. Competition has turned the pricing of a significant proportion of loans far out of alignment with the BPLR and in a non-transparent manner (Mohan, 2007b). The BPLR has ceased to be a reference rate, thereby hindering an assessment of the efficacy of monetary transmission. There is a public perception that banks' risk assessment processes are less than appropriate and that there is underpricing of credit for Corporates, while there could be overpricing of lending to Agriculture and SSIs. Lending below the BPLR has several implications. In particular, the fixation of BPLR continues to be more arbitrary than rule-based. Therefore, the concept of arriving at the BPLR needs to be looked into with a view to making it more transparent.

Collaboration with Myanmar for natural gas exploration

*136. SHRI HARISH RAWAT:
SHRI SANTOSH BAGRODIA:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether India and Myanmar have been cooperating in the field of oil and natural gas exploration;

(b) if so, the details of such collaboration;

(c) whether it is a fact that despite such agreement Myanmar has chosen to sell its petroleum products to China instead of India;

(d) whether Government have taken up issue with Government of Myanmar; and

(e) if so, response of that Government?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA): (a) Yes, Sir.

(b) India and Myanmar have been cooperating in exploration and production activities in Myanmar. Indian Public Sector Undertakings, namely, ONGC Videsh Ltd. (OVL) and GAIL (India) Ltd. (GAIL) farmed into A1 and A3 blocks in Myanmar. OVL and GAIL have 20% and 10% stakes respectively in these blocks.

Government of Myanmar issued a Letter of Intent on 11th February, 2004, wherein GAIL was acknowledged as a preferential buyer of gas from these blocks. An MoU to the above effect was signed between the two countries on 9th March, 2006. Pursuant to the above, for evacuation of gas from Myanmar to India, GAIL completed a Detailed Feasibility Report (DFR) for an onland pipeline from Myanmar passing through North Eastern States of India.

(c) to (e) The Myanmar Government invited bids for export of gas on 9th August, 2006. GAIL submitted a competitive bid to Myanmar Government. Myanmar Government *vide* their letter dated 2nd October, 2006 intimated to the bidders that they were reviewing their decision to sell this gas through pipeline, as the price quoted by different bidders did not meet their expectations. Subsequently, Government of Myanmar invited bids for sale of 3.5 MMTPA of Liquefied Natural Gas (LNG). GAIL again submitted its bid. The matter was discussed in various meetings held between Government of Myanmar and Consortium between January and March, 2007. During a meeting on 10th January, 2007 at Nay Pyi Taw (NPT), it was informed by Myanmar Government that a part of gas from these blocks would be used for domestic supply and that export option would be decided only after the completion of the remaining drilling in A-3 block and reassessment of reserves. It was also indicated that export of gas through LNG Project, pipeline to India and pipeline to Thailand were the options under consideration and that pipeline to China was no more under consideration.

However, in the meeting held in February, 2007 between Myanmar Government and Petro China, Myanmar Government decided that the gas from A1 and A3 blocks would be sold to China through the pipeline route. This was conveyed by Myanmar Government during a meeting held at Nay Pyi Taw (NPT) on March 16, 2007. GAIL impressed upon the other partners and Myanmar Government that GAIL's pipeline offer was still the most competitive and offered optimum value for them due to proximity of India to these fields. However, Myanmar Government's decision to sell the gas to China remains as of now.